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IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

BURROUGHS CORPORATION,

Petitioner,

vs.

A. B. DICK COMPANY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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Questions Presented

1. Whether a patent owner, having had a full and fair opportunity to litigate the scope of his patent, and having obtained a trial and final resolution of that issue, should be entitled to relitigate the same issue in subsequent litigation;

2. Whether our overcrowded courts can long endure, and the industrial community can plot its course, under a rule of law that permits the scope of a patent, once litigated and determined by a final judgment, to be relitigated again and again; and

3. Whether a "case or controversy" under Article III of the Constitution is presented by a dispute over the scope of a patent, irrespective of the presence of the issues of validity and infringement.

Parties Below

The plaintiff in this case is A. B. Dick Company, a Delaware corporation. The defendant is Burroughs Corporation, a Michigan corporation.

Pursuant to Rule 28.1 of this Court, Petitioner Burroughs Corporation states that it has no parent companies, and that it has the following subsidiaries and affiliates (other than wholly owned subsidiaries): Tata Burroughs Ltd. (India); Memorex Japan Ltd.; Societe de Location et d'Entretien Machines Electroniques (France); Disk Media Inc. (Cal.); Memorex DIC Corp. (Cal.); Peripheral Components Inc. (Del.); Japan Softec Co. Ltd. (Japan); Teijin Memorex Company Ltd. (Japan); and SDC (1981) Limited (U.K.).

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OCTOBER TERM, 1983

BURROUGHS CORPORATION,

Petitioner,

VS.

A. B. DICK COMPANY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioner, Burroughs Corporation, respectfully requests that a writ of certiorari issue to review the judgment entered in this case on July 27, 1983 by the United States Court of Appeals for the Federal Circuit.

Opinions of the Courts Below

The opinion of the Court of Appeals for the Federal Circuit is reported at 713 F.2d 700 (A 105). The opinion of the District Court for the Northern District of Illinois, Eastern Division, is reported at 550 F.Supp. 1065 (A 87).

The opinion of the District Court for the Southern District of Ohio, in the related case of *Mead Digital Systems, Inc.* v. *A. B. Dick Co.*, is reported at 521 F.Supp. 164 (A 1). The final judgment entered by the *Mead* court (A 82), and the accompanying letter of Judge Rice (A 79), are unreported.

Jurisdiction

The judgment of the Court of Appeals for the Federal Circuit was entered on July 27, 1983. This petition is being filed within ninety days of the entry of judgment. The jurisdiction of this Court arises under 28 U.S.C. 1254 (1).

Constitutional Provision Involved

This case involves the following "case or controversy" provision of Article III, § 2, cl. 1 of the United States Constitution:

> The judicial Power shall extend to all Cases, in Law and Equity, arising under . . . the Laws of the United States . . .;—to Controversies . . . between Citizens of different States. . . .

Statement of the Case

This is a patent infringement suit. The A. B. Dick Company sued Burroughs Corporation in the Northern District of Illinois, Eastern Division, claiming that ink-jet character printers manufactured by Burroughs infringe U.S. patent 3,596,275, issued to Richard G. Sweet, and a Lewis-Brown patent (not presently in issue). District Court jurisdiction was based on 28 U.S.C. 1338 (a), 2201 and 2202.

The Sweet patent relates to an oscillographic recorder which can directly record ink drops on paper to produce a replica of the waveform of a continuously varying electrical signal.

The Sweet patent is being asserted by A. B. Dick to cover commercial ink-jet character printers.

In a prior suit against the Mead Corporation, after a full trial on the merits, the Sweet patent was adjudged, in a declaration appearing in a final judgment, to be limited in scope to oscillographic recording (A 82). This

construction was based upon both the relevant prior art and a file wrapper estoppel (A 12-15, 33, 59).

In the present suit, the District Court granted defendant's motion for summary judgment, finding that the *Mead* court's ruling on the Sweet patent's scope is entitled to collateral estoppel effect, and that the undisputed facts show that the accused Burroughs equipment does not fall within that scope.

The Court of Appeals held that no collateral estoppel can apply to a ruling on a patent's scope unless that ruling is essential to a ruling on validity or infringement, and it cannot apply to products not before the first court. It therefore reversed (A 117-18).

A. B. Dick-Mead Litigation

Shortly after the present suit was instituted, A. B. Dick sued the Mead Corporation for patent infringement in the same court, claiming that Mead's ink-jet character printers infringe both the Sweet patent and the Lewis-Brown patent. Mead's subsidiary, in turn, filed a declaratory judgment action in the Southern District of Ohio, demanding a declaration as to the validity, scope and infringement of the two patents. The *Mead* actions were thereafter consolidated and tried in Ohio (A 11-12).

The *Mead* case went to trial on both the patent infringement and declaratory judgment actions, after the entry of a final pretrial order that included the following issues to be tried:

> "10.. What is the legal scope of the claims of the Sweet patent?
>
> • • • • • •
>
> "12. Does the legal scope of the claims of the Sweet patent define patentable subject matter in view of prior art?

"13. Has the legal scope of the claims of the Sweet patent been infringed by any product of Mead?" (A 68-9)

After an extensive trial and briefing, the District Court, sitting without a jury, considered the prior art references, as well as the file history of the Sweet application before the Patent Office, and considerable other evidence, and held the Sweet patent to be limited in scope, and not infringed, but valid as so construed (A 79, 82).[1]

The final judgment of the District Court, in the *Mead* suit, included the following specific declaration as to the scope of the Sweet patent:

"2. The Sweet patent is limited in scope to oscillographic recording." (A 83)

A. B. Dick challenged the inclusion of this holding on scope in the final judgment, asserting that it was in the nature of an advisory opinion, not based on a case or controversy, and, consequently, beyond the court's power under the Constitution (A 73). That argument was rejected.

The District Court judgment was appealed by A. B. Dick to the Court of Appeals for the Sixth Circuit, and that appeal is still pending.

A. B. Dick-Burroughs Litigation

Following the filing of the *Mead* opinion, Burroughs amended its Answer to plead collateral estoppel, and, once the *Mead* final judgment was entered, Burroughs moved for summary judgment on the grounds that:

(1) the scope of the Sweet patent had been determined in a final judgment in the *Mead* case, which is entitled to collateral estoppel effect, and

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[1] The *Mead* court also held Lewis-Brown patent 3,298,030 to be invalid, and, as already noted, that patent is not at issue here.

(2) the accused Burroughs equipment clearly falls outside the adjudicated scope.

The District Court granted summary judgment (A 87), but the Court of Appeals for the Federal Circuit reversed, holding that:

> "Except in the context of validity or infringement, judicial statements regarding the scope of patent claims are hypothetical insofar as they purport to resolve the question of whether prior art or products not before the court would, respectively, anticipate or infringe the patent claims. . . .
>
> • • • • • •
>
> "In view of the foregoing, we hold that judicial statements regarding the scope of patent claims are entitled to collateral estoppel effect in a subsequent infringement suit only to the extent that determination of scope was essential to a final judgment on the question of validity or infringement; further that such statements should be narrowly construed." (A 117-18)

Reasons for Granting the Writ

POINT I

The CAFC ruling, in this case, on the basically important question of the scope of a patent, is directly contrary to this Court's collateral estoppel rulings over the past decade.[2]

This Court's *Blonder-Tongue* ruling in 1971 rejected the then-maligned doctrine of mutuality of estoppel, which had protected a patent owner's right to sue alleged infringers successively, even though the patent were held

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[2] See, e.g., *Blonder-Tongue* v. *University Foundation*, 402 U.S. 313 (1971); *Parklane Hosiery Co.* v. *Shore*, 439 U.S. 322 (1979); *Montana* v. *United States*, 440 U.S. 147 (1979); *Allen* v. *McCurry*, 449 U.S. 90 (1980).

invalid in the first suit. *Triplett* v. *Lowell*, 297 U.S. 638 (1936).

Parklane Hosiery thereafter made it clear that while *Blonder-Tongue* found needless relitigation particularly wasteful, and baseless, where a patent has been held to be invalid, the Court in *Blonder-Tongue* had actually addressed the broader question of "whether it is any longer tenable to afford a litigant more than one full and fair opportunity for judicial resolution of the same issue." 439 U.S. at 327-8; see, also, *Allen* v. *McCurry*, 449 U.S. at 94-5.

This principle was extended to the offensive use of collateral estoppel in *Parklane*, and it has been recognized as applicable to every sphere of civil litigation. See, e.g., *Montana* v. *United States*, *supra*; *Allen* v. *McCurry*, *supra*.

In the present case, the CAFC has completely undermined the principle of these cases as it applies to a vital area of patents, their scope, which has long been a subject of concern to this Court. See, especially, *Blonder-Tongue*, 402 U.S. at 343-4, 349-50; and the cases *infra*, on page 13.

Moreover, since the CAFC has nationwide impact in all cases pertaining to patents, it will be the CAFC ruling, and not the rulings of this Court, that will compel adherence by the district courts, until this matter has been rectified. 28 U.S.C. 1292 (c) and (d), 1295; *South Corp.* v. *United States*, 690 F.2d 1368, 1371 (Fed. Cir. 1982); *Radio Steel & Mfg. Co.* v. *MTD Products Inc.*, 566 F.Supp. 609, 613 (N.D. Ohio 1983); *Union Carbide Corp.* v. *American Can Co.*, 558 F.Supp. 1154, 1156 (N.D. Ill. 1983).

Both the District Court and the CAFC recognized that collateral estoppel can apply only to an issue that has been actually and necessarily determined in a prior suit, under circumstances that afforded a full and fair opportunity to litigate the issue. (A 93, 112); *Montana*, 440 U.S. at 153.

On the question of a full and fair opportunity to litigate, as the District Court observed, this has not been raised by A. B. Dick (A 94). Nor can there be any question that the issue of scope was actually litigated in the *Mead* case (Id).

The only question in serious dispute is the essential nature of the scope holding in *Mead*. The District Court found it essential (A 96); the CAFC did not (A 118).

More specifically, the CAFC found that the *Mead* court's determination of scope was not essential to its final judgment on validity or infringement (A 117-18). While the construction of the Sweet patent was the predicate for the *Mead* court's holding that the Sweet patent is invalid "as so construed" (A 80), the error of the CAFC is more fundamental.

The CAFC erroneously ruled that a court's final judgment of the scope of a patent, even in the course of a protracted multi-million dollar litigation concerning the patent, can be deemed an essential issue for collateral estoppel purposes only when it underlies, and only to the extent that it underlies, the issue of validity or infringement. It held that a final judgment on scope cannot affect any product not actually before the court, and, as a consequence, each new product must project a new suit. There is no rational basis for such a rule of law.

The facts here are that Mead is in the ink-jet printing business. It was charged with infringement, and then sued. It filed a declaratory judgment action in which it sought to have the scope of the Sweet patent determined, it projected scope as an issue in the final pretrial order, litigated this issue, and argued successfully against A. B. Dick's assertion that the court did not have the jurisdiction to determine the issue (A 65).

The result, after a full and fair litigation of the issue, was a declaration of the patent's scope in the *Mead* final judgment.

Thus, the ruling on scope was not merely a finding incidental to a judgment on another issue, or necessary merely to clarify language in some of the claims for infringement purposes. It was itself a judgment, as a declaration contained in the final judgment in a declaratory judgment action, and the findings to the same effect, that were embodied in the court's opinion, were necessary to that judgment.[8]

This Court has said that "once an issue is actually and necessarily determined by a court of competent jurisdiction, that determination is conclusive in subsequent suits based on a different cause of action involving a party to the prior litigation. Application of [this] . . . doctrine is central to the purpose for which civil courts have been established, the conclusive resolution of disputes within their jurisdictions." *Montana*, 440 U.S. at 153.

The ruling of the CAFC in this case has disavowed this salutary rule insofar as it applies to the scope of a patent.

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[8] In an earlier case, a District Court had ruled that:

". . . no difference in substance is seen between interpreting language for purposes of validity and interpreting language for purposes of determining scope. The rationale of the *Blonder-Tongue* decision applies equally to both situations." *Iron Ore Co. of Canada* v. *Dow Chemical Co.*, 177 USPQ 34, 58 (D. Utah 1972), *aff'd*, 500 F.2d 189 (10th Cir. 1974).

See, also, Molinaro v. *Sears, Roebuck & Co.*, 478 F. Supp. 818 (S.D.N.Y. 1979); *Molinaro* v. *Hart Electronics Corp.*, 212 USPQ 697 (D. Pa. 1981).

POINT II

There is no unfairness in according collateral estoppel effect to final determinations of patent scope.

Since the *Mead* court decided its own jurisdiction, that issue was also entitled to collateral estoppel effect in this suit. *Underwriters Assur. Co.* v. *North Carolina Life,* 455 U.S. 691, 706 (1982); *Stoll* v. *Gottlieb,* 305 U.S. 165 (1938); *Restatement Second of Judgments,* 1982, § 12, espec. coments c. and d.; 18 *Wright, Miller & Cooper,* Federal Practice and Procedure, § 4428, pp. 271 *et seq.* (1981). The CAFC ruled, however, that regardless of jurisdiction, it is not without "discretion" to determine whether a particular case is appropriate for the application of collateral estoppel, and it exercised that discretion to deny collateral estoppel effect to the *Mead* court's ruling on scope. The CAFC relied on this Court's observations in *Parklane Hosiery* that the offensive use of collateral estoppel may, under some circumstances, be unfair.

There is little unfairness, however, in according finality, for defensive use purposes, to a judgment that has resolved an issue after a full and fair litigation. It is more unfair, as well as unwise, to deny finality under these circumstances. Indeed, the dangers in an unfettered discretionary application of the collateral estoppel rulings of this Court, when a full and fair opportunity to litigate in the first suit has not been questioned, are abundant. *Cf. Blumcraft of Pittsburg* v. *Kawaneer Company, Inc.,* 482 F. 2d 542, 547 (5th Cir. 1973); *Kaiser Industrial Corp.* v. *Jones & Laughlin Steel Corp.,* 515 F. 2d 964, 978-9 (3d Cir. 1975), *cert. denied,* 423 U.S. 876 (1975).

The CAFC ruling reflects a belief, without analyzing the close prior art considered by the *Mead* court, and without reviewing the Sweet file history before the Patent Office,

and the remainder of the extensive record in the *Mead* case, that the *Mead* court should not have made a determinative ruling on scope.

The appellate review of that ruling, however, should be pursued in the Court of Appeals for the Sixth Circuit—where the full record can be considered—if we are to have an orderly judicial system. From that tribunal, further appellate review can be sought in this Court, again with the full record in hand.[4]

Any rule which permits another court, without the record in hand, to deny finality to the first court's ruling, for defensive use purposes, where the issue has been determined after a full and fair opportunity to litigate, is both unfair to those relying on our courts and unworkable.

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[4] A review of the prior art and Patent Office file history by the District Court in the *Mead* case led to the following finding and conclusion of law:

> "It is clear that through such characterizations of Magarvey and Blackford and through the amendments to the claims which Sweet made in response to the rejection of the claims as fully met by Magarvey and Blackford, Sweet limited his invention to oscillography in which a picture of the incoming waveform is reproduced on paper by recording as a function of time the magnitude of deflection of each droplet in a succession so that the succession of deflected droplets trace the waveform on paper. This is the function and operation of an oscillograph. (Finding 71) (A 33)
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> • • •
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> "Based on representations made to the Patent Office and amendments made to the claims in order to obtain the patent, A. B. Dick is estopped to construe the claims of the Sweet patent to claim other than an oscillographic recorder." (Conclusion 153) (A 59)

POINT III

The CAFC ruling raises unacceptable social and economic consequences.

The social and economic consequences of denying finality to determinations in patent cases were considered at some length in this Court's opinion in *Blonder-Tonque*. It continues costly litigation, involves inordinate trial time, taxes the overburdened federal courts, involves a misallocation of resources of many kinds, and interferes with predictability and decision-making for both patent owners and their competitors.

Before this misapplication of the law is permitted to take effect, it should be corrected. And there is no other forum for correction.

POINT IV

The CAFC has abrogated the role of the Federal Courts in determining the basically important question of the scope of a patent.

The CAFC ruling in this case has serious jurisdictional implications, inherent in the court's ruling that:

> "Except in the context of validity or infringement, judicial statements regarding the scope of patent claims are hypothetical insofar as they purport to resolve the question of whether prior art or products not before the court would, respectively, anticipate or infringe the patent claims." (A 117)

By characterizing the issue of scope as "hypothetical", except in the context of validity or infringement, the court has determined that no federal court jurisdiction exists as to the issue of scope except in these areas. U.S.

Constitution, Art. III, § 2, cl. 1; *Aetna Life Ins. Co.* v. *Haworth*, 300 U.S. 227, 239-42 (1937).

It thus precludes a declaratory judgment by one competitor against another, simply to adjudicate the scope of a patent, even where its scope is in dispute. As such, it precludes a judicial determination of the extent of a product line one can pursue, through financial, plant and personnel investment, without fear of injunction.

It even precludes one who has been sued for infringement from obtaining a construction of the scope of the patent asserted to be infringed, *beyond* the issue of whether the accused product infringes. This will necessitate needless litigation for each new product, as well as creating needless uncertainty.

Thus, while declaratory judgment relief remains available to determine the scope of a statute or contract, or the metes and bounds of real property, where those issues are in dispute, the decision in this case renders such relief unavailable to determine the scope of a patent, except in the resolution of validity or infringement.[5]

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[5] See, e.g., *Bowsher* v. *Merck & Co.*, 103 S. Ct. 1587 (1983) ("we must analyze the policies underlying the statutory provision to determine its proper scope"); *North Dakota* v. *United States*, 103 S. Ct. 1095 (1983) ("we state once again the obvious when we note that, in determining the scope of a statute, one is to look first at its language"); *North Haven Board of Education* v. *Bell*, 456 U.S. 512 (1982) ("Our starting point in determining the scope of Title IX is, of course, the statutory language."); *Montana* v. *United States*, 450 U.S. 544 (1981) ("This case concerns the sources and scope of the power of an Indian tribe to regulate hunting and fishing by non-Indians on lands within its reservation owned in fee simple by non-Indians."); *Abbott Laboratories* v. *Gardner*, 387 U.S. 136 (1967) ("These regulations purport to give an authoritative interpretation of a statutory provision . . .; its promulgation puts petitioners in a dilemma that it was the very purpose of the Declaratory Judgment Act to

(*footnote continued on following page*)

The importance of a patent's scope, both as a grant and a limitation, has been discussed in many decisions of this Court. *White* v. *Dunbar*, 119 U.S. 47 (1886); *Motion Picture Co.* v. *Universal Film Co.*, 243 U.S. 502, 510 (1917); *Carbice Corp.* v. *American Patents Corp.*, 283 U.S. 27, 31 (1931); *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458 (1938); *Ethyl Gasoline Corp.* v. *United States*, 309 U.S. 436, 456 (1940); *Morton Salt Co.* v. *Suppiger Co.*, 314 U.S. 488, 492 (1942); *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661, 666 (1944); *Precision Co.* v. *Automotive Co.*, 324 U.S. 806, 816 (1945); *Zenith Corp.* v. *Hazeltine*, 395 U.S. 100, 136 (1969); *Blonder-Tongue* v. *University Foundation*, 402 U.S. at 343-4, 349-50; *Dawson Chemical Co.* v. *Rohm & Haas Co.*, 448 U.S. 176, 221 (1980).

To determine whether one is tying or otherwise controlling products that are outside the scope of a patent monopoly, or predicating royalty payments on such products, the scope must be determined—whether or not it is coupled with the issue of validity or infringement. The same is true as to the extent of an assignor's estoppel to challenge validity, *Westinghouse Co.* v. *Formica Co.*, 266 U.S. at 350, to the extent that this estoppel survives this Court's ruling in *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969) (which terminated the doctrine of licensee estoppel).

(*footnote continued from preceding page*)

ameliorate."); *Skelly Oil Co.* v. *Phillips Co.*, 339 U.S. 667 (1950) ("this language in the contract may have a scope . . ."); *Maryland Casualty Co.* v. *Pacific Co.*, 312 U.S. 270 (1941); *cf. United States* v. *California*, 332 U.S. 19 (1947) ("We may assume that location of the exact coastal line will involve many complexities and difficulties. But that does not make this any the less a justiciable controversy."); and *cf. Westinghouse Co.* v. *Formica Co.*, 266 U.S. 342 (1924) ("The grantor purports to convey the right to exclude others in the one instance from a defined tract of land, and in the other, from a described and limited field of the useful arts. The difference between the two cases is only the practical one of fixing exactly what is the subject matter conveyed. A tract of land is easily determined by a survey. Not so the scope of a patent right for an invention.").

There is no basis for treating patent scope differently from any other issue. Where a real and immediate controversy exists as to the scope of a patent, that issue should be deemed justiciable, and subject to declaratory judgment relief—whether or not it is coupled with an issue of validity or infringement. *Cf. Aetna*, 300 U.S. at 293-42; *Maryland Casualty*, 312 U.S. at 272-4.

It is alien to fundamental concepts of jurisprudence to hold that our federal courts have jurisdiction to determine the validity of a patent, but not its metes and bounds, unless the latter determination is tied to validity or infringement. And it consequently cannot be the law of the land that federal courts are without jurisdiction to determine the issue of patent scope, since it is "hypothetical" to the extent that it deals with prior art or products not before the court.

CONCLUSION

For the reasons stated, a writ of certiorari should issue to review the judgment entered in this case by the Court of Appeals for the Federal Circuit.

Date:

Respectfully submitted,

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